

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the October 7, 1998
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: November 4, 1998

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee Meeting held in open session October 7, 1998 are submitted on the following pages.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
STATE TEACHERS' RETIREMENT SYSTEM
OCTOBER 7, 1998
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Yvonne Gallegos Bodle
George Fenimore
Marty Mathiesen
Michael Mayer
Lillian Raffel
Emma Zink
Fred Buenrostro, representing State Controller
Kathleen Connell
Richard Whitmore, representing Superintendent
of Public Instruction, Delaine Eastin
Christine Drevalas, representing State Treasurer Matthew Fong
Robin Dezember, representing State Director
of Finance, Craig Brown

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Elleen Okada, Director of Investment Admin. and External Relations
Chris Waddell, Chief Counsel
Tim Cromartie, Deputy State Controller
Doug Wills, Staff Counsel
Mitch Pleis, Director of Real Estate
Michelle Cunningham, Director of Fixed Income
Real Desrochers, Director of Alternative Investments
Steven Tong, Director of Internal Equities
Allan Emkin, Pension Consulting Alliance
Terri Sander, Pension Consulting Alliance
Al Clerc, Pathway Capital Management
Philip Bullen, Santander Global Advisor, Inc.
Victor Kohn, Capital International, Inc.
John Remmert, Citibank Global Asset Management
Beverly Carlson, California Teachers' Association
Ellen Logue, California Teachers' Association, Retired
Bill Collins, California Teachers' Association
Mary Ann Avansino, Executive Assistant

A quorum being present, Chairperson Lynes called the open session meeting to order at 9:34 a.m.

I. **ANNOUNCEMENTS** (Item 2)

There were no announcements.

II. **APPROVAL OF MINUTES OF THE SEPTEMBER 2, 1998 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

Mr. Waddell presented an amendment to section IV of the minutes to delete the reference to Mr. Lanoff's absence.

MOTION duly made by Ms. Bodle, seconded by Mr. Mathiesen, and carried to approve the minutes of the September 2, 1998 Investment Committee, Open Session as amended.

Ms. Zink, Messrs. Buenrostro, Whitmore and Fenimore arrived at the meeting at 9:36 a.m.

III. **GENERAL - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 1998** (Item 4)

Mr. Emkin presented a written and oral performance report for the period ending June 30, 1998. Discussion ensued.

Ms. Zink left the meeting at 9:55 a.m.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore and carried to adopt a resolution to accept the semi-annual report submitted by Pension Consulting Alliance as presented.

IV. **EQUITY - PANEL ON EMERGING MARKETS** (Item 11)

Mr. Mitchell introduced Messrs. Bullen, Kohn and Remmert. The panel discussed emerging market volatility, opportunity, risk, and correlation. The panelists engaged in a group discussion with the Committee.

Ms. Zink returned to the meeting at 10:00 a.m.

Chairperson Lynes recessed the meeting at 11:00 a.m.
The meeting reconvened at 11:15 a.m.

V. **ALTERNATIVE INVESTMENT - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 1998** (Item 5)

Mr. Clerc presented a written and oral performance report for the period ending June 30, 1998. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Ms. Raffel and carried to adopt a resolution to accept the semi-annual report submitted by Pathway Capital Management as presented.

VI. **REAL ESTATE - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 1998** (Item 6)

Ms. Sander presented a written and oral performance report for the period ending June 30, 1998. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to adopt a resolution to accept the semi-annual report submitted by Pension Consulting Alliance and E&Y Kenneth Levanthal.

VII. **GENERAL - RFP FOR GENERAL CONSULTANT** (Item 7)

Mr. Mitchell presented proposed specifications for a RFP for General Consultant. Discussion ensued. The Committee directed Staff to revise the proposed specifications to delete the evergreen contract provision, outline Board and Staff involvement in the process and allow for hiring more than one consultant. The revised item will be presented at the November Committee meeting.

V. **EQUITIZATION OF CASH** (Item 8)

Messrs. Mitchell, Tong and Emkin discussed development of a cash equitization program. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Mr. Whitmore and carried to authorize Staff to develop policy and procedures for cash equitization which will be presented to the Committee for approval.

Chairperson Lynes recessed the meeting at 12:45 p.m.

The meeting reconvened 1:35 p.m. Mr. Buenrostro and Mr. Dezember were not present when the meeting reconvened.

VI. **LEGISLATION** (Item 9)

There was nothing further to report

VII. **REAL ESTATE - MANAGERS' CONTRACT EXTENSIONS** (Item 10)

Mr. Pleis discussed the need for extension of contracts as the pending RFP will not be completed prior to the expiration of contracts.

Mr. Dezember returned at 1:40 p.m.

MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to authorize Staff to extend real estate manager contracts as needed pending completion of the pending RFP.

Mr. Buenrostro returned to the meeting at 1:42 p.m.

VIII. **CREDIT ENHANCEMENT - ACTIVITY STATUS REPORT** (Item 12)

Mr. Rose presented the written report.

IX. **REAL ESTATE - ACTIVITY STATUS REPORT** (Item 13)

Mr. Pleis presented the written report.

X. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 14)

Mr. Desrochers presented the written report.

XI. **QUARTERLY LITIGATION REPORT** (Item 15)

Mr. Waddell had nothing further to report.

Ms. Raffel left the meeting at 2:10 p.m.

XII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 16)

Mr. Mitchell presented the written report and discussed emergency procedures which were in effect during the recent building evacuation.

XIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 17)

There were no statements from the public.

XIV. **MOVE TO CLOSED SESSION**

Chairperson Lynes moved the meeting directly to closed session at 2:20 p.m.

XV. **ADJOURNMENT**

Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to litigation and investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 2:46 p.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson